

Message Text

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ACTION EUR-12

INFO OCT-01 AF-10 ISO-00 HA-05 IO-14 AID-05 CEA-01
CIAE-00 COME-00 EB-08 FRB-01 INR-10 NSAE-00 SP-02
STR-07 TRSE-00 LAB-04 SIL-01 OMB-01 PA-02 ICA-20
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INFO AMEMBASSY PRETORIA

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DEPARTMENT PASS EXIM BANK

E.O. 11652: N/A

TAGS: ECON EFIN GW

SUBJECT: ECONOMICS MINISTRY DEFENDS GUARANTEE
POLICY FOR SOUTH AFRICA

REF: BONN 15663, BONN 19931 (77)

1. ON HER RETURN FROM SEVERAL WEEKS OF TRAVEL IN AFRICA, SPD BUNDESTAG MEMBER BRIGITTE ERLER -- A MEMBER OF THE BUNDESTAG WORKING GROUP ON SOUTH AFRICA -- PROPOSED THAT THE FRG IMPOSE A GRADUATED SERIES OF ECONOMIC SANCTIONS AGAINST SOUTH AFRICA IN PROTEST TO THAT COUNTRY'S RACIAL POLICIES. SHE ADVOCATED IMMEDIATELY STOPPING OFFICIAL GUARANTEES ON EXPORT CREDITS TO SOUTH AFRICA AND SUGGESTED THAT IF CONDITIONS ARE NOT IMPROVED THAT FURTHER MEASURES BE INSTITUTED, SUCH AS BARRING SOUTH AFRICA FROM EUROPEAN CAPITAL MARKETS. IN ADDITION, SHE PROPOSED THAT GERMAN FIRMS BE OBLIGED TO ADHERE TO THE EC CODE OF CONDUCT WITHIN THREE YEARS (COMPLIANCE IS PRESENTLY VOLUNTARY).

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2. ACCORDING TO PRESS REPORTS, THE FRG ECONOMICS MINISTRY, WHICH HAS PRIME RESPONSIBILITY FOR THE GOVERNMENT'S EXPORT CREDIT GUARANTEE SYSTEM, RESPONDED QUICKLY AND NEGATIVELY TO ERLER'S CALL TO HALT GOVERNMENT GUARANTEES ON CREDITS TO SOUTH AFRICA. THE ECONOMICS MINISTRY, STRESSING THE GERMAN ECONOMY'S RELIANCE ON FOREIGN TRADE, ATTACKED THE POLITICIZATION

OF THE GUARANTEE SYSTEM INHERENT IN ERLER'S PROPOSAL.
DECISION MAKING ON REQUESTS FOR OFFICIAL GUARANTEES
IS BASED ON RISK, OFTEN POLITICAL, OF TRANSACTING
BUSINES IN THE RECIPIENT COUNTRY, THE ECONOMICS
MINISTRY ASSERTED. THE POLITICAL SYSTEM OR POLITICAL
GOALS OF THE COUNTRY INVOLVED SHOULD NOT BE BROUGHT IN.

3. IT WAS NOTED IN THE ARTICLE THAT GERMANY'S COVER
POLICY TOWARDS SOUTH AFRICA WAS TOUGHENED AT THE END OF
1977 (REPORTED BONN 19931 (77)) BECAUSE OF INCREASED
POLITICAL RISK. AT PRESENT THE FRG WILL NOT INSURE LONG
TERM CREDITS TO SOUTH AFRICA AND IN THE SHORT AND MEDIUM
TERMS WILL AS A RULE INSURE CREDITS ONLY UP TO DM 50
MILLION. EXCEPTIONS ARE POSSIBLE IF A
SIGNIFICANT IMPACT ON THE GERMAN ECONOMY IS PERCEIVED.
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